GANES

FOCUSED VALUE FUND

APIR GCM0001AU | ARSN 117 119 712

DECEMBER 2025 QUARTER REPORT

Quarter Commentary

The fund recorded a negative quarter with the unit price down 6.7% while the market also fell 0.9% for the same period. For the past year the fund has delivered a return of 4.7%, underperforming the broader market return of 10.7% by 6.0%.

Over the longer term the fund has provided a return of 9.4% per annum for the past 20 years and 11.0% per annum since inception in 2002. The fund has outperformed the market by 1.8% per annum after all fees and expenses since inception. A $10,000 investment made at inception is now worth $112,571 against $76,987 for the ASX300 benchmark.

The positive sentiment that we enjoyed last quarter evaporated this quarter with Lovisa (down 21%), Eagers Automotive (down 16%) and ARB Corporation (down 18%), the main detractors within the portfolio.

During the quarter we participated in the Eagers Automotive capital raising to fund its Canadian investment but at the same time trimmed the position at higher prices to fund this outlay.

Bravura Solutions entered the Top 10 for the first time following the sale of our New Hope Coal position during the quarter. We first purchased New Hope in March 2022 when the coal spot price spiked following the outbreak of the war in Ukraine. We have done well on our investment but with the coal price back trading at normal levels the opportunity to use these funds to buy quality companies with more predictable future earnings now appears more attractive.

The fund had a cash weighting of 3.9% at the end of December.

A distribution of 4.06c will be paid shortly to unitholders for the December half-year.

Performance as at 31 December 2025:

	Fund (net of fees)	ASX 300 Accum. Index
3 months	-6.7%	-0.9%
1 year	4.7%	10.7%
3 years p.a.	6.8%	11.4%
5 years p.a.	9.5%	9.8%
10 years p.a.	9.5%	9.3%
20 years p.a.	9.4%	7.4%
Since Inception (p.a.)*	11.0%	9.2%
Value $10,000 invested since inception	$112,571	$76,987

*Inception date of Fund is 14/10/2002

Unit Prices as at 31 December 2025:

Entry Price	$4.6660
Unit Price	$4.6544
Exit Price	$4.6428

Top 10 Holdings:

Company	Code	Weight (%)
PWR Holdings	PWH	13.1
Lovisa	LOV	13.0
MFF Capital Investments	MFF	11.0
AUB Group	AUB	10.4
Eagers Automotive	APE	9.8
ARB Corporation	ARB	7.3
Dicker Data	DDR	6.5
Fiducian Group	FID	6.5
Redox	RDX	6.0
Bravura Solutions	BVS	3.5

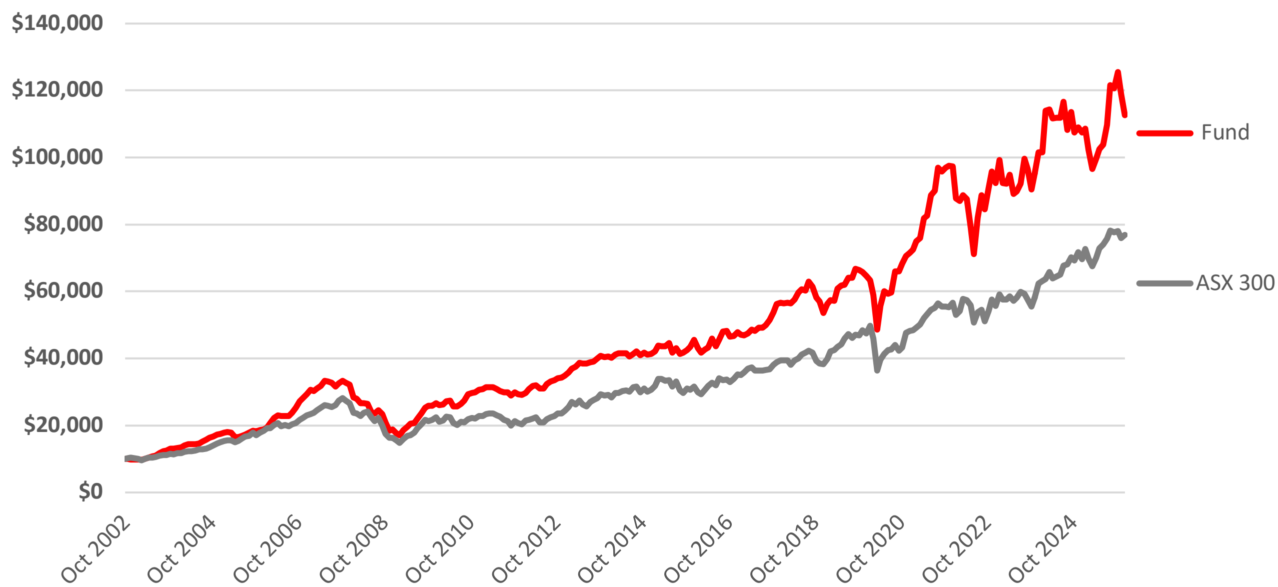
Top 5 Sector Exposures:

Sector	Weight (%)
Consumer Discretionary	44.7
Financials	32.0
Information Technology	10.0
Industrials	6.5
Healthcare	2.9
Other (including Cash)	3.9

Ganes Capital Management Ltd AFSL 291 363
PO Box 3512 Newmarket QLD 4051

Phone: 1300 766 916
Email: admin@ganescapital.com.au

Fund Performance



While the table on the first page shows the performance of the fund over various time frames the graph above provides a visual representation of the fund against the ASX300 Accumulation Index benchmark since inception highlighting the benefits that accrue to compounding over the long term.

Portfolio Performance

Very few of our larger holdings experienced positive returns for the quarter. The best performers were MFF Capital which was up 3.5% and Redox which was up 6%. While at the other end of the scales we had three of our larger holdings all fall heavily, namely Lovisa, ARB Corporation and Eagers Automotive.

Eagers fell 16% during the quarter after announcing a $1.0 billion investment in the Canadian car dealership, CanadaOne, and undertaking a $500m capital raising to help fund the purchase. But despite the latest quarter dip in price Eagers has easily been the best performer and largest contributor to fund performance for the past calendar year. The shares started 2025 under $12 per share and finished the year at nearly $25 whilst also paying 74c in fully franked dividends, a 7% yield on our purchase price.

Lovisa fell 21% during the quarter and was the largest detractor to fund performance for the quarter. The fall came after the company provided a trading update at their Annual General Meeting which was weaker than expected. Lovisa was essentially flat for the year, as were our other larger holdings PWR Holdings and AUB Group, leading to our modest returns for the year.

Company Updates

There were some company updates during the quarter as we attended Investor Days and Annual General Meetings. The more meaningful ones are provided below.

PWR Holdings

We attended the company's AGM at their new facility in October and came away very impressed. This facility should allow the company to grow for many years to come, and it is always informative to chat with some of the line staff that we don't get to see during the year.

The company also outlined some of the new rule changes for F1 for the coming season which can only benefit the company.

During December the company announced that the current Chief Financial Officer (CFO) Sharyn Williams will become the new Chief Executive Officer (CEO) taking over from the current interim CEO Matthew Bryson. Matthew has been with the business for over 20 years but indicated he wasn't interested in taking on the role permanently and will go back to his former position of Chief Technical Officer. Matthew had only taken on the role in April when the former CEO and founder, Kees Weel was forced to step down for medical reasons.

It is quite common for a CFO to become the CEO of a business, but this was a little unusual because PWR operates in several highly technical industries across multiple continents with demanding suppliers, and Ms Williams has only been with the company for 12 months, has never held a CEO role previously, nor had specific previous experience in the industries the company operates in. I am however, reassured that Kees will remain as Executive Chairman, Matthew remains as Chief Technical Officer, and both retain large shareholdings in the business, making it very unlikely Sharyn will make any changes to the business without their approval.

Eagers Automotive

It wasn't a great surprise when Eagers announced it was making a $1bn investment to buy a 65% stake in CanadaOne in October. The company had been hinting at making an overseas acquisition, most likely in Canada, since their AGM in May.

CanadaOne is one of Canada's largest auto dealers with 42 sites across five provinces and acts as a dealer to all the major brands in the Canadian market. It was founded by Pat Priestner, and he will retain a 35% stake in the business and continue to run the business with his son.

Eagers held an Investor Day in Sydney to explain the merits of the deal which we attended and had the opportunity to meet Pat and some of his Executive team that had made the trip out from Canada.

The Canadian car market is quite different to the Australian market in that there only 36 car brands sold in the country, compared to 75 brands in Australia, making it a far less competitive market for dealers.

Another crucial difference is that CanadaOne covers all their fixed costs of running its business from the service department meaning they are at breakeven before they even need to sell a car. In Australia that doesn't happen, while the service department is a profit centre, a car dealer must sell cars to make a profit here.

And the other crucial difference in their business, and one that Pat Priestner said was not negotiable, was the Dealer Partner model. Each manager of a dealership can earn equity in their business by growing the profits of the business, but they must stay at least 7 years to receive that equity, and Priestner believes this has been the core reason for his success compared to other dealers and Eagers won't be changing that.

The company believes the investment will be earnings accretive and in the words on the day of Nick Politis, Eagers major shareholder, "you won't believe the growth we will get out of this acquisition; it will be incredible".

Bravura Solutions

Bravura Solutions was recently added to the portfolio following the release of its full year results which disappointed the market and the shares were marked down harshly. The price has since recovered as the company announced a profit upgrade and, as a result, has become a top 10 holding for us.

Bravura isn't a household name, but it's a quality business all the same. The company is based in Australian but has global operations providing mission-critical software to major financial institutions in the wealth management, life insurance and funds administration sectors. Its mission-critical nature means switching costs are high for customers and exiting to another provider can literally take years to achieve due to the high complexity, highly regulated, global requirements placed on the software.

For the latest financial year, the company reported revenues of $256m, which was up 3% on the previous year but operating profits were up 96% to $50m, the company has no debt and has initiated a policy to pay at least 50% of net profit as dividends. At the time of purchase we were able to buy the business at 3.5 times revenue when many businesses of this calibre will sell for more than double that metric.

The other interesting feature of the business is the investment in 2023 by Pinetree Capital and Damian Leonard to become the major shareholder. Since that time there has been a big improvement in profitability as the company focused on reducing its overheads. Damian Leonard is the son of Mark Leonard, the founder of Constellation Software, one of the most successful businesses ever listed on the Toronto Stock Exchange. The Constellation playbook is buying small software businesses with unique features and sticky customers and holding on to them. Companies just like Bravura.

The company recently announced a new CEO, and he also comes from a business within the Constellation Software portfolio, so it will be interesting to see if the Constellation Software playbook can also be applied at Bravura over the coming years.

AUB Group

During the quarter AUB received an 'Unsolicited Non-Binding Indicative Proposal' to acquire the business for $45.00 per share from a private equity bidder. These types of bids are very tenuous, but the price still rose from $32.00 before the offer was announced to closer to $40.00 providing the portfolio with a short-term boost.

The offer was terminated a month later and the shares have since fallen back to slightly below where they were at the start of the quarter. I wrote in our last update we have owned AUB since 2009 and it has been a solid performer while we have owned it. The withdrawal of the takeover offer was welcome news even if it means we have missed out on the higher price for now.

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The Best Investors are the Founders that never sold

The modest returns for the calendar year are disappointing considering we own a collection of wonderful businesses, with some exceptional founders still at the helm. At various times during the year I could have sold some of our large positions at higher prices and improved our short-term results, and this was suggested to me, but I am constantly reminded of the expression by Nick Sleep that the best investors are the founders that never sold.

At various times in the past I have gone back and analysed our sales and nearly every time selling has been the bigger mistake than holding, over the long-term. And I believe that will still be the case.

Recently at the Lovisa AGM, Brett Blundy made a point of telling shareholders that he had never sold a share in Lovisa, and it is similar for Nick Politis at Eagers. In fact, Nick Politis has recently added to his holding.

Another example in our portfolio is Fiducian Group. Founded and run by Indy Singh, Indy is another founder that hasn't sold and is now a very wealthy man. In a conversation with another fund manager who also owns Fiducian, Indy said that everyone who owned shares at the float had sold except for him, "they all just found a reason to sell".

Several of our larger holdings have gone through a transition year this year as they invest for the future and I remain confident we will be rewarded for our patience during this period, along with the founders that run them.

Ganes Capital Management Ltd AFSL 291 363
PO Box 3512 Newmarket QLD 4051

Phone: 1300 766 916
Email: admin@ganescapital.com.au